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AGRICULTURAL ADJUSTMENT ADMINISTRATION
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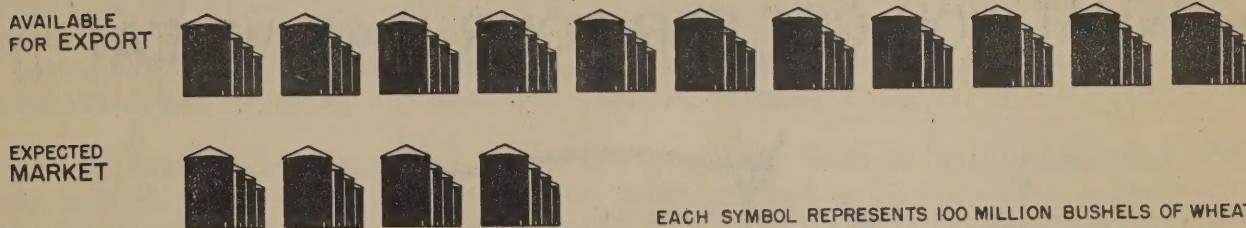
U. S. WHEAT FARMING IN 1941

WORLD MARKETS TAKE LESS

American agriculture grew up under a system in which foreign countries were eager to buy our wheat. World prices were good. That meant that domestic prices, based on world prices, also were good. U. S. wheat growers prospered.

Today foreign countries are not eager to buy our wheat. Many of them are growing their own; others are blockaded by war; all are blockaded economically. American farmers exported an average of 200 million bushels of wheat annually in the 1920's. But for the 1940-41 marketing year, they can probably find foreign markets for little more than 20 to 25 million bushels. This surplus wheat situation is indicated in the following chart:

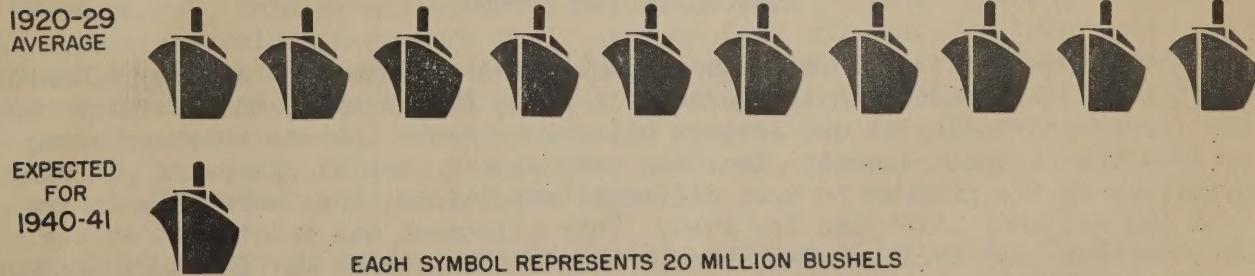
1940 WORLD WHEAT SURPLUS



WORLD COMPETITION GROWS

Not only the U. S. but also Canada, Argentina, Australia, and other wheat exporters have huge supplies of wheat on hand, and each is eager to sell. For the current marketing year, the world exporters have more than 1,100,000,000 bushels of wheat for sale. But the importers are expected to buy only 400,000,000 bushels. This is about half of the wheat trade volume that was maintained for several years in the 1920's. The following chart illustrates this condition:

U. S. WHEAT EXPORTS



War blockade is one factor in the decrease, but a determination on the part of deficit wheat countries to grow more wheat at home, and strict supervision of foreign trade as a means of protecting foreign exchange are equally

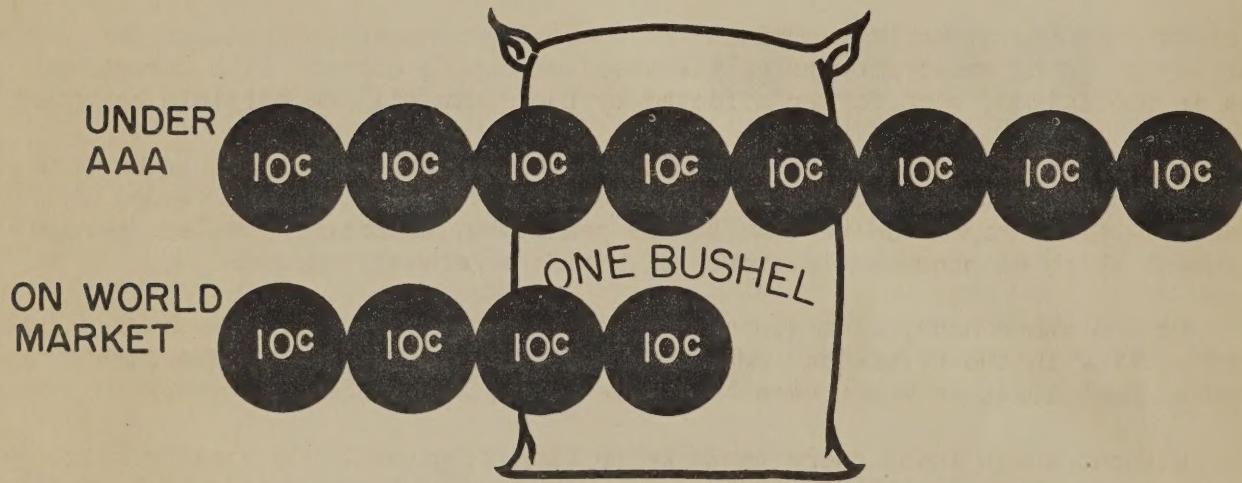
important. The low purchasing power of importing countries is another barrier for U. S. wheat exports.

The result is the stiffest competition on world markets for all U. S. wheat produced above our domestic needs. As long as this wheat remains unsold, it will tend to depress wheat prices here at home, unless our price protection measures are strengthened.

PRICE PROTECTION

Mounting world wheat surpluses mean lower world wheat prices. Just before the Liverpool market was closed by the outbreak of the present war in September 1939, the world price was the lowest in 350 years. Countries trying to sell on the world market have to take the world price for all their wheat unless they have domestic price protection. In the United States, the AAA Farm Program, especially the wheat loan feature, has protected the domestic producer from the depressed world price for two years. As a result of the loan and parity and conservation payments, wheat growers cooperating with the AAA in 1940 received an average of 85 cents a bushel for the normal production of their allotted acreage. If they had sold their wheat on the world market for the world price, they would not have received more than 40 cents.

WHAT YOU GET FOR YOUR 1940 WHEAT



ACTION FOR THE FUTURE

Seven years of AAA Farm Program operation have shown the ability of American farmers to adjust production to demand. In 1939, for example, when farmers had their first opportunity to use acreage allotments under the new wheat program, they made the biggest reduction that had been made in any single year. Showing flexibility of the program to meet different conditions, they were able to increase the national allotment for 1940. This allotment was maintained at the same level for 1941 because of uncertain crop conditions on May 1, 1940. Improved weather in May, June and July increased the 1940 production while export outlets sharply declined.

Farmers need to question the wisdom of continued production of large amounts of wheat for a world market which, for the present at least, does not exist. Effective machinery is set up and working to keep wheat supplies in line with demand. The program can continue to provide growers with price protection if desirable acreage adjustment and cooperative handling of the surplus are maintained.

UNITED STATES SUPPLY

For 1940-41 the U. S. had a wheat supply of 1,100,000,000 bushels. Out of this 415,000,000 bushels were available for export or carryover, above the amounts needed for domestic use. As a result of small exports, the carryover on July 1, 1941, may exceed 385 million bushels, which would be the largest on record.

The December crop report indicated a 1941 winter wheat crop of 633,000,000 bushels. A crop of this size, coupled with an average spring wheat crop and the 385,000,000 bushel carryover, would provide a supply of about 1,200,000,000 bushels for 1941-42.

MARKETING QUOTAS PROBABLE

The Agricultural Adjustment Act of 1938 provides that if the total supply of wheat exceeds a normal year's domestic consumption and exports by more than 35 percent, a marketing quota shall be proclaimed. Although the marketing quota determination will not be made until a later date, the supply of wheat now indicated is in excess of the probable marketing quota level which will be based on domestic consumption and exports, adjusted for current trends.

On this basis, tentative plans are now being made to hold a national referendum May 31 among wheat growers on the wheat marketing quota. If a marketing quota is proclaimed, each farmer affected by the quota will be eligible to vote.

Under the marketing quotas each farmer who has seeded within his acreage allotment may market or feed all he produces. The farmer who has exceeded his acreage allotment may avoid payment of the penalty by keeping in sealed storage the amount which he produced in excess of his farm marketing quota.

On the other hand, if a quota is proclaimed and more than one-third of the farmers voting in the referendum oppose it, no marketing quota will be in effect and government loans on wheat cannot be made during that marketing year.

Without wheat loans there would be nothing to prevent the wheat surplus — which is larger than in 1931 or 1932 — from depressing the wheat price to the levels of those years. This situation could affect growers of other commodities adversely. Depressed wheat prices mean more wheat used as feed and leads to lower meat income. It means that wheat farmers, because of the necessity of maintaining their income, would be forced into more direct competition with growers of other commodities. Low-priced surplus wheat leads to increased competition for the cattleman, the corn-hog farmer, the dairy farmer, the poultry producer, and all other farmers who make their living by feeding stock and poultry.

Under marketing quotas, seeding within acreage allotments will become more advantageous for all growers. Greater compliance with acreage allotments will result in smaller planted acreages, helping reduce supplies toward normal levels. (This is background information, for use of AAA officials and committeemen in informing farmers of the current wheat situation.)

